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ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

Priority Health

NAIC Group Code.....3383, 3383 (Current Period) (Prior Period)	NAIC Company Code..... 95561	Employer's ID Number..... 38-2715520
Organized under the Laws of Michigan	State of Domicile or Port of Entry Michigan	Country of Domicile US
Licensed as Business Type.....Health Maintenance Organization	Is HMO Federally Qualified? Yes [] No [X]	
Incorporated/Organized..... March 7, 1986	Commenced Business..... October 15, 1986	
Statutory Home Office	1231 East Beltline NE..... Grand Rapids MI 49525-4501 (Street and Number) (City or Town, State and Zip Code)	
Main Administrative Office	1231 East Beltline NE..... Grand Rapids MI 49525-4501 (Street and Number) (City or Town, State and Zip Code)	616-942-0954 (Area Code) (Telephone Number)
Mail Address	1231 East Beltline NE..... Grand Rapids MI 49525-4501 (Street and Number or P. O. Box) (City or Town, State and Zip Code)	
Primary Location of Books and Records	1231 East Beltline NE..... Grand Rapids MI 49525-4501 (Street and Number) (City or Town, State and Zip Code)	616-464-8926 (Area Code) (Telephone Number)
Internet Web Site Address	www.priority-health.com	
Statutory Statement Contact	Kristy Lynn Shoemaker (Name) kristy.shoemaker@priorityhealth.com (E-Mail Address)	616-464-8926 (Area Code) (Telephone Number) (Extension) 616-942-7916 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Michael P Freed #	President / Chief Executive Officer	2. Mary Anne Jones #	Treasurer / Chief Financial Officer
3. Kimberly L Thomas	Secretary	4.	

OTHER

DIRECTORS OR TRUSTEES

Craig H Bethune	Richard C Breon	Georgia R Fojtasek	Michael P Freed
Rajesh U Kothari	Lynne Liddle	Christina MacInnes	Edward M Millermaier
Edwin Ness	Kathleen S Ponitz	Robert W Roth	Paul Saginaw
Thomas G Schwaderer	Hilary Snell #	James J Stephanak	Gary W Timmer
Bruce Ullery #	Jody D Vanderwel	Michael Vredenburg #	Wendy H Walker

State of..... Michigan
County of.... Kent

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Michael P Freed 1. (Printed Name) President / Chief Executive Officer (Title)	(Signature) Mary Anne Jones 2. (Printed Name) Treasurer / Chief Financial Officer (Title)	(Signature) Kimberly L Thomas 3. (Printed Name) Secretary (Title)
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Subscribed and sworn to before me
This _____ day of February 2013

- a. Is this an original filing?
- b. If no
 - 1. State the amendment number
 - 2. Date filed
 - 3. Number of pages attached

Yes [X] No []

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	139,675,373		139,675,373	123,388,822
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	113,761,673	1	113,761,672	101,744,987
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	2,103,170	2,103,170	0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....28,244,385, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$....202,993,203, Schedule DA).....	231,237,588		231,237,588	191,229,398
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....			0	
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	486,777,804	2,103,171	484,674,633	416,363,207
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	2,522,949		2,522,949	2,655,343
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	21,752,067	.543,138	21,208,929	28,587,766
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....	3,734,061		3,734,061	1,426,602
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	11,739	4,061	.7,678	58,427
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....	2,617,233		2,617,233	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....			0	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....			0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	14,288,407	14,288,407	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	19,860,845	.39,642	19,821,203	11,786,591
24. Health care (\$....7,943,542) and other amounts receivable.....	9,731,075	1,787,533	7,943,542	12,038,641
25. Aggregate write-ins for other than invested assets.....	60,460	.60,460	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	561,356,640	18,826,412	542,530,228	472,916,577
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	561,356,640	18,826,412	542,530,228	472,916,577

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	60,460	.60,460	0	
2502.			0	
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	60,460	.60,460	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	135,905,430	10,911,667	146,817,097	141,408,240
2. Accrued medical incentive pool and bonus amounts.....	25,947,323		25,947,323	30,654,811
3. Unpaid claims adjustment expenses.....	.2,461,039	229,051	2,690,090	2,597,495
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	1,200,000		1,200,000	.585,675
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	10,315,516		10,315,516	14,488,361
9. General expenses due or accrued.....	10,844,254		10,844,254	9,207,201
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....	573		573	
13. Remittances and items not allocated.....	1,068,037		1,068,037	1,106,027
14. Borrowed money (including \$.....0 current) and interest thereon \$....2,417 (including \$....2,417 current).....	10,002,417		10,002,417	10,005,375
15. Amounts due to parent, subsidiaries and affiliates.....	26,430,344		26,430,344	35,060,520
16. Derivatives.....			0	
17. Payable for securities.....			0	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....			0	
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	224,174,933	11,140,718	235,315,651	245,113,705
25. Aggregate write-ins for special surplus funds.....	XXX.....	XXX.....	1,000,000	1,000,000
26. Common capital stock.....	XXX.....	XXX.....	8,524	8,524
27. Preferred capital stock.....	XXX.....	XXX.....		
28. Gross paid in and contributed surplus.....	XXX.....	XXX.....	35,821,002	35,821,002
29. Surplus notes.....	XXX.....	XXX.....	30,039,572	30,039,572
30. Aggregate write-ins for other than special surplus funds.....	XXX.....	XXX.....	0	0
31. Unassigned funds (surplus).....	XXX.....	XXX.....	240,345,478	160,933,774
32. Less treasury stock at cost:				
32.1 ....0.000 shares common (value included in Line 26 \$.....0)	XXX.....	XXX.....		
32.2 ....0.000 shares preferred (value included in Line 27 \$.....0)	XXX.....	XXX.....		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX.....	XXX.....	307,214,576	227,802,872
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX.....	XXX.....	542,530,227	472,916,577

DETAILS OF WRITE-INS

2301.			0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0	0	0
2501. Appropriated Retained Earnings.....	XXX.....	XXX.....	1,000,000	1,000,000
2502.	XXX.....	XXX.....		
2503.	XXX.....	XXX.....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX.....	XXX.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX.....	XXX.....	1,000,000	1,000,000
3001.	XXX.....	XXX.....		
3002.	XXX.....	XXX.....		
3003.	XXX.....	XXX.....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX.....	XXX.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX.....	XXX.....	0	0

Priority Health**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	4,858,476	5,164,558
2. Net premium income (including \$.....0 non-health premium income)....	XXX.....	1,936,545,978	1,857,714,692
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	(614,325)	(585,675)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	.912,922	.593,703
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	1,936,844,575	1,857,722,720
Hospital and Medical:			
9. Hospital/medical benefits.....		1,330,679,342	1,309,316,851
10. Other professional services.....		6,893,929	1,160,569
11. Outside referrals.....		42,613,321	48,257,843
12. Emergency room and out-of-area.....		.57,409,434	.56,887,483
13. Prescription drugs.....		251,881,539	245,933,682
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		29,943,077	27,494,642
16. Subtotal (Lines 9 to 15).....	0	1,719,420,642	1,689,051,070
Less:			
17. Net reinsurance recoveries.....		.223,592	.394,092
18. Total hospital and medical (Lines 16 minus 17).....	0	1,719,197,050	1,688,656,978
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....24,625,419 cost containment expenses.....		.58,458,603	.44,893,086
21. General administrative expenses.....		111,948,431	101,157,043
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....	0	1,889,604,084	1,834,707,107
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	.47,240,491	.23,015,613
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		.7,525,168	.4,306,972
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		.1,933,688	.2,855,745
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	.9,458,856	.7,162,717
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	0	.3,971,497	.3,002,363
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	.60,670,844	.33,180,693
31. Federal and foreign income taxes incurred.....	XXX.....		
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	.60,670,844	.33,180,693

DETAILS OF WRITE-INS

0601. Wellness Program Revenue.....	XXX.....	.912,922	.593,703
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	.912,922	.593,703
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Management Fee Revenue.....		.3,971,497	.3,002,363
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	.3,971,497	.3,002,363

Priority Health
STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	227,802,872	204,119,903
34. Net income or (loss) from Line 32.....	60,670,844	33,180,693
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0	10,630,831	(5,223,934)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	8,110,029	(4,273,790)
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	79,411,704	23,682,969
49. Capital and surplus end of reporting period (Line 33 plus 48).....	307,214,576	227,802,872

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	1,938,174,226	1,847,840,567
2. Net investment income.....	8,786,012	5,009,253
3. Miscellaneous income.....	912,922	593,703
4. Total (Lines 1 through 3).....	1,947,873,160	1,853,443,523
5. Benefit and loss related payments.....	1,712,091,879	1,673,305,686
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	168,149,222	142,347,032
7. Commissions, expenses paid and aggregate write-ins for deductions.....	.....	.....
8. Dividends paid to policyholders.....	.....	.....
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	.....	.....
10. Total (Lines 5 through 9).....	1,880,241,101	1,815,652,718
11. Net cash from operations (Line 4 minus Line 10).....	67,632,059	37,790,805
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:	.....	.....
12.1 Bonds.....	43,796,827	42,398,832
12.2 Stocks.....	5,160,444	15,350,000
12.3 Mortgage loans.....	.....	.....
12.4 Real estate.....	.....	.....
12.5 Other invested assets.....	.....	.....
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	1,300	1,277
12.7 Miscellaneous proceeds.....	.....	.....
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	48,958,571	57,750,109
13. Cost of investments acquired (long-term only):	.....	.....
13.1 Bonds.....	59,815,308	50,320,644
13.2 Stocks.....	5,740,566	22,702,505
13.3 Mortgage loans.....	.....	.....
13.4 Real estate.....	254,820	1,280,498
13.5 Other invested assets.....	.....	.....
13.6 Miscellaneous applications.....	.....	.....
13.7 Total investments acquired (Lines 13.1 to 13.6).....	65,810,694	74,303,647
14. Net increase (decrease) in contract loans and premium notes.....	.....	.....
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(16,852,123)	(16,553,538)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):	.....	.....
16.1 Surplus notes, capital notes.....	.....	.....
16.2 Capital and paid in surplus, less treasury stock.....	.....	.....
16.3 Borrowed funds.....	.....	.....
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	.....	.....
16.5 Dividends to stockholders.....	.....	.....
16.6 Other cash provided (applied).....	(10,771,742)	(4,435,380)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(10,771,742)	(4,435,380)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	40,008,194	16,801,887
19. Cash, cash equivalents and short-term investments:	.....	.....
19.1 Beginning of year.....	191,229,398	174,427,511
19.2 End of year (Line 18 plus Line 19.1).....	231,237,592	191,229,398

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001
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UNDERWRITING AND INVESTMENT EXHIBIT**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	1,314,737,477		1,355,339	1,313,382,138
2. Medicare supplement.....	8,616,032		2,301	8,613,731
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....	614,582,924		32,815	614,550,109
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	1,937,936,433	0	1,390,455	1,936,545,978
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	1,937,936,433	0	1,390,455	1,936,545,978

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	1,711,838,439	1,163,740,152	6,726,218				.541,372,069			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	.274,343	.274,343								
1.4 Net	1,711,564,096	1,163,465,809	6,726,218	0	0	0	.541,372,069	0	0	0
2. Paid medical incentive pools and bonuses	34,650,564	29,226,629					.5,423,935			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	146,817,097	96,467,710	817,000				49,532,387			
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	146,817,097	96,467,710	817,000	0	0	0	49,532,387	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	.25,947,323	20,215,115					.5,732,208			
6. Net healthcare receivables (a)	.27,769,731	19,157,725	105,724				.8,506,282			
7. Amounts recoverable from reinsurers December 31, current year	7,675	7,675								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	141,408,240	99,387,969	242,000				41,778,271			
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	141,408,240	99,387,969	242,000	0	0	0	41,778,271	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	.30,654,811	25,707,755					.4,947,056			
11. Amounts recoverable from reinsurers December 31, prior year	.58,427	.58,427								
12. Incurred benefits:										
12.1 Direct	1,689,477,565	1,141,662,168	7,195,494	0	0	0	.540,619,903	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	.223,591	.223,591	0	0	0	0	0	0	0	0
12.4 Net	1,689,253,974	1,141,438,577	7,195,494	0	0	0	.540,619,903	0	0	0
13. Incurred medical incentive pools and bonuses	29,943,076	23,733,989	0	0	0	0	6,209,087	0	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	49,008,303	32,565,832	266,806				16,175,665			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	49,008,303	32,565,832	266,806	0	0	0	16,175,665	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	97,763,832	63,856,916	550,194				33,356,722			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	0									
2.4 Net.....	97,763,832	63,856,916	550,194	0	0	0	33,356,722	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	44,962	44,962								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	44,962	44,962	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	146,817,097	96,467,710	817,000	0	0	0	49,532,387	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	146,817,097	96,467,710	817,000	0	0	0	49,532,387	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	102,814,440	1,060,702,122	1,315,647	.95,152,063	104,130,087	.99,387,969
2. Medicare supplement.....	242,000	.6,484,218		817,000	242,000	242,000
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....	39,171,460	502,200,609	125,732	.49,406,655	39,297,192	.41,778,271
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	142,227,900	1,569,386,949	1,441,379	.145,375,718	143,669,279	.141,408,240
10. Healthcare receivables (a).....	10,726,598	19,240,111		8,529,621	10,726,598	10,726,598
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	29,440,634	.5,209,930		.25,947,323	.29,440,634	.30,654,811
13. Totals (Lines 9 - 10 + 11 + 12).....	160,941,936	1,555,356,768	1,441,379	.162,793,420	162,383,315	161,336,453

(a) Excludes \$.0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	111,961	112,691	112,705	112,682	112,682
2. 2008.....	1,012,260	1,123,820	1,124,279	1,124,245	1,124,245
3. 2009.....	XXX	1,102,024	1,206,717	1,207,094	1,207,094
4. 2010.....	XXX	XXX	1,396,948	1,547,661	1,547,661
5. 2011.....	XXX	XXX	XXX	1,524,292	1,685,234
6. 2012.....	XXX	XXX	XXX	XXX	1,555,357

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	107,709	108,426	108,440	108,417	.....
2. 2008.....	1,137,519	1,123,987	1,123,987	1,123,944	1,123,944
3. 2009.....	XXX	1,216,299	1,222,265	1,222,064	1,222,064
4. 2010.....	XXX	XXX	1,528,464	1,526,556	1,526,556
5. 2011.....	XXX	XXX	XXX	1,690,832	1,691,879
6. 2012.....	XXX	XXX	XXX	XXX	1,718,150

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	1,257,539	1,124,245	27,195	.2.4	1,151,440	91.6	.....	.....	1,151,440	.91.6
2. 2009.....	1,324,363	1,208,094	41,418	.3.4	1,249,512	94.3	.....	.....	1,249,512	.94.3
3. 2010.....	1,653,567	1,547,661	44,291	.2.9	1,591,952	96.3	.....	.....	1,591,952	.96.3
4. 2011.....	1,857,130	1,685,234	50,947	.3.0	1,736,181	93.5	1,442	.26	1,737,649	.93.6
5. 2012.....	1,937,941	1,555,357	34,472	.2.2	1,589,829	82.0	171,322	.2,664	1,763,815	.91.0

12.GT

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	107,709	108,426	108,440	108,417	108,417
2. 2008.....	953,310	1,057,928	1,058,371	1,058,351	1,058,351
3. 2009.....	XXX.....	.993,571	1,087,433	1,087,771	1,087,771
4. 2010.....	XXX.....	XXX.....	1,095,608	1,210,176	1,210,176
5. 2011.....	XXX.....	XXX.....	XXX.....	1,124,044	1,243,867
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	1,052,247

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	107,709	108,426	108,440	108,417	108,417
2. 2008.....	1,070,019	1,058,089	1,058,089	1,058,060	1,058,060
3. 2009.....	XXX.....	1,093,024	1,100,195	1,100,010	1,100,010
4. 2010.....	XXX.....	XXX.....	1,186,053	1,184,955	1,184,955
5. 2011.....	XXX.....	XXX.....	XXX.....	1,245,247	1,248,690
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	1,161,730

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	1,179,968	1,058,351	26,502	2.5	1,084,853	91.9			1,084,853	.91.9
2. 2009.....	1,177,005	1,088,771	39,581	3.6	1,128,352	95.9			1,128,352	.95.9
3. 2010.....	1,276,470	1,210,176	39,511	3.3	1,249,687	97.9			1,249,687	.97.9
4. 2011.....	1,355,417	1,243,867	44,021	3.5	1,287,888	95.0	1,316	24	1,289,228	.95.1
5. 2012.....	1,314,248	1,052,247	28,243	2.7	1,080,490	82.2	115,366	1,735	1,197,591	.91.1

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX.				
4. 2010.....	XXX.	XXX.		.338	.472
5. 2011.....	XXX.	XXX.	XXX.		2,559
6. 2012.....	XXX.	XXX.	XXX.	XXX.	6,411

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	22009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX.				
4. 2010.....	XXX.	XXX.		.345	.472
5. 2011.....	XXX.	XXX.	XXX.		2,796
6. 2012.....	XXX.	XXX.	XXX.	XXX.	7,195

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....				.00	0	.00			0	.00
2. 2009.....				.00	0	.00			0	.00
3. 2010.....	530	472	33	.70	505	.953			505	.953
4. 2011.....	3,873	2,760	267	.9.7	3,027	.78.2			3,027	.78.2
5. 2012.....	8,557	6,411	408	.6.4	6,819	.79.7	.817	.15	7,651	.89.4

12.MS

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	4,252	4,265	4,265	4,265	4,265
2. 2008.....	58,950	65,892	65,908	65,894	65,894
3. 2009.....	XXX.....	108,453	119,284	119,323	119,323
4. 2010.....	XXX.....	XXX.....	301,002	337,013	337,013
5. 2011.....	XXX.....	XXX.....	XXX.....	397,689	438,607
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	496,699

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....	67,500	65,898	65,898	65,884	65,884
3. 2009.....	XXX.....	123,275	122,070	122,054	122,054
4. 2010.....	XXX.....	XXX.....	342,066	341,129	341,129
5. 2011.....	XXX.....	XXX.....	XXX.....	442,789	440,393
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	549,225

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	77,571	65,894	693	1.1	66,587	85.8			66,587	.85.8
2. 2009.....	147,358	119,323	1,837	1.5	121,160	82.2			121,160	.82.2
3. 2010.....	376,567	337,013	4,747	1.4	341,760	90.8			341,760	.90.8
4. 2011.....	497,840	438,607	6,659	1.5	445,266	89.4	126	.2	445,394	.89.5
5. 2012.....	615,136	496,699	5,821	1.2	502,520	81.7	55,139	.914	559,573	.90.8

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves.....	0								
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	1,200,000						1,200,000		
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	1,200,000	0	0	0	0	0	1,200,000	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	1,200,000	0	0	0	0	0	1,200,000	0	0
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.....	0								
0502.....	0								
0503.....	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.....	0								
1102.....	0								
1103.....	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

Priority Health
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	748,911	1,028,938	2,052,896		3,830,745
2. Salaries, wages and other benefits.....	14,962,063	20,556,572	41,013,653		76,532,288
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			33,480,668		33,480,668
4. Legal fees and expenses.....	33,828	46,476	92,728		173,032
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	55,185	75,818	151,271		282,274
7. Traveling expenses.....	141,132	193,904	386,869		721,905
8. Marketing and advertising.....	839,137	1,152,901	2,300,222		4,292,260
9. Postage, express and telephone.....	423,909	582,414	1,162,010		2,168,333
10. Printing and office supplies.....	546,712	751,134	1,498,632		2,796,478
11. Occupancy, depreciation and amortization.....	895,037	1,229,704	1,065,308		3,190,049
12. Equipment.....	38,053	52,281	104,310		194,644
13. Cost or depreciation of EDP equipment and software.....	1,866,736	2,564,734	5,117,054		9,548,524
14. Outsourced services including EDP, claims, and other services.....	3,010,232	4,135,798	8,405,171		15,551,201
15. Boards, bureaus and association fees.....	33,102	45,480	90,739		169,321
16. Insurance, except on real estate.....	50,095	68,826	137,318		256,239
17. Collection and bank service charges.....	23,285	31,992	347,348		402,625
18. Group service and administration fees.....	183,035	251,475	859,200		1,293,710
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	27,369	37,604	75,024		139,997
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....	7,314	10,048	20,048		37,410
23.3 Regulatory authority licenses and fees.....	264	362	43,118		43,744
23.4 Payroll taxes.....	740,020	1,016,723	2,028,526		3,785,269
23.5 Other (excluding federal income and real estate taxes).....			11,516,319		11,516,319
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	24,625,419	33,833,184	111,948,432	0	(a)...170,407,035
27. Less expenses unpaid December 31, current year.....	269,009	2,421,081	10,844,254		13,534,344
28. Add expenses unpaid December 31, prior year.....	259,750	2,337,746	9,207,202		11,804,698
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....			2,617,233		2,617,233
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	24,616,160	33,749,849	112,928,613	0	171,294,622

DETAILS OF WRITE-INS

2501.....					0
2502.....					0
2503.....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0	0

(a) Includes management fees of \$....111,622,800 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....634,018	.....555,647
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....4,107,432	.....4,431,796
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....1,555,147	.....1,555,147
2.21 Common stocks of affiliates.....	.....1,000,001	.....1,000,001
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....9,231	.....255,391
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....7,305,829	.....7,797,982
11. Investment expenses.....	(g).....	.....
12. Investment taxes, licenses and fees, excluding federal income taxes.....	(g).....	.....
13. Interest expense.....	(h).....	.....
14. Depreciation on real estate and other invested assets.....	(i).....272,814	.....
15. Aggregate write-ins for deductions from investment income.....	.....0	.....
16. Total deductions (Lines 11 through 15).....	.....272,814	.....
17. Net investment income (Line 10 minus Line 16).....	.....7,525,168	.....

DETAILS OF WRITE-INS

0901.....		
0902.....		
0903.....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501.....		
1502.....		
1503.....		
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....0	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0

- (a) Includes \$....86,940 accrual of discount less \$....945,534 amortization of premium and less \$....260,726 paid for accrued interest on purchases.
 (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
 (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
 (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
 (e) Includes \$....5,656 accrual of discount less \$....4,236,197 amortization of premium and less \$.....0 paid for accrued interest on purchases.
 (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
 (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
 (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
 (i) Includes \$....272,814 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....119,312	.....	.....119,312	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....0	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....1,007,342	.....	.....1,007,342	.....	.....
1.3 Bonds of affiliates.....	.....	.....0	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....0	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....0	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....805,734	.....	.....805,734	.....5,424,487	.....
2.21 Common stocks of affiliates.....	.....	.....0	.....0	.....5,206,344	.....
3. Mortgage loans.....	.....	.....0	.....0	.....	.....
4. Real estate.....	.....	.....0	.....0	.....	.....
5. Contract loans.....	.....	.....0	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....1,300	.....	.....1,300	.....	.....
7. Derivative instruments.....	.....	.....0	.....0	.....	.....
8. Other invested assets.....	.....	.....0	.....0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....1,933,688	.....0	.....1,933,688	.....10,630,831	.....0

DETAILS OF WRITE-INS

0901.....				
0902.....				
0903.....				
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....	1	1	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	2,103,170	2,121,164	17,994
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....			0
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	2,103,171	2,121,165	17,994
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	543,138	463,274	(79,864)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums.....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	4,061		(4,061)
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....			0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....			0
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....			0
21. Furniture and equipment, including health care delivery assets.....	14,288,407	19,364,461	5,076,054
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....	39,642	138,692	99,050
24. Health care and other amounts receivable.....	1,787,533	4,079,801	2,292,268
25. Aggregate write-ins for other than invested assets.....	60,460	769,048	708,588
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	18,826,412	26,936,441	8,110,029
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	18,826,412	26,936,441	8,110,029

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Intangible Asset.....		600,000	600,000
2502. Prepaid Expenses.....	60,460	169,048	108,588
2503.			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	60,460	769,048	708,588

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6
						Current Year Member Months
1. Health maintenance organizations.....	293,093	276,442	271,651	267,855	264,346	3,252,141
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....	69,197	63,204	61,069	59,106	57,061	728,433
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	61,699	70,845	72,861	74,952	76,716	877,902
7. Total.....	423,989	410,491	405,581	401,913	398,123	4,858,476

DETAILS OF WRITE-INS

0601. Medicare.....	58,580	66,569	68,077	69,739	71,163	820,369
0602. Medigap.....	3,119	4,276	4,784	5,213	5,553	57,533
0603.....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	61,699	70,845	72,861	74,952	76,716	877,902

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Company) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 93.9% shareholder), as well as Munson Healthcare and Healthshare, Inc. The Company provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the parent of Priority Health Government Programs, Inc. (PHGP), an HMO established effective October 1, 2002. Priority Health, as the sole owner and parent of PHGP, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHGP has over 70,000 Medicaid and MICHILD members as of December 31, 2012.

Priority Health is the parent of Priority Health Insurance Company (PHIC), established effective September 1, 2004. Priority Health, as the sole owner and parent of PHIC, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 57,000 members as of December 31, 2012.

On April 1, 2007, Priority Health purchased 100% ownership of PHMB Properties, LLC and Trinity Health Plans. PHMB Properties, LLC owns the buildings that make up the corporate headquarters of Priority Health. Trinity Health Plans holds contracts with providers, who are located primarily within Michigan. THP had no members as of December 31, 2012.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Company provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Regulation (OFIR). The National Association of Insurance Commissioners (NAIC) has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2012.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIR. There is a full adoption and application of applicable Statements of Statutory Accounting Principles (SSAPs).

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable.
5. Mortgage loans are Not Applicable.
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized

NOTES TO FINANCIAL STATEMENTS

cost.

7. The Company uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Government Programs, Inc. and Priority Health Insurance Company, as described in SSAP 97.
8. The Company does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Company and therefore this disclosure is Not Applicable.
10. The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.
11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

- A. Not Applicable

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

- A. Not Applicable
- B. Not Applicable
- C. Not Applicable
- D. Not Applicable

4. Discontinued Operations

The Company has no Discontinued Operations to report.

5. Investments

- A. Mortgage Loans – Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities –
 1. The Company does not have securities purchased prior to January 1, 1994.
 2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
 3. The Company has applied retrospective adjustment methodology to these investments.
- A. Repurchase Agreements -- Not Applicable
- B. Real Estate – Not Applicable
- C. Low-Income Housing Tax Credits (LIHTC) – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Company as no income due is past its due date and no investment income was non-admitted.

NOTES TO FINANCIAL STATEMENTS**8. Derivative Instruments**

This note is Not Applicable to the Company.

9. Income Taxes

The Company is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates**A, B, C, D, E, F, G**

The Company has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Company through common ownership, to provide certain management services. The management fee incurred by the Company was \$111,623,000 in 2012 and \$98,759,000 in 2011, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

Premium revenues recognized from related organizations were approximately \$161,984,000 and \$151,019,000 during 2012 and 2011, respectively. Health care costs approximating \$385,944,000 during 2012 and \$366,214,000 in 2011 were provided to plan members by related organizations.

Amounts due from affiliates were \$19,814,000 at December 31, 2012, and \$11,925,000 at December 31, 2011. Amounts due to affiliates were \$26,430,000 at December 31, 2012, and \$35,061,000 at December 31, 2011.

The Company received a \$1,000,000 dividend distribution from its wholly-owned subsidiary, PHMB Properties, LLC, in October 2012.

H--None

I---Investment in SCA does not meet criteria

J -- None

11. Debt

In 2008, the Company obtained a \$10,000,000 line of credit from Spectrum Health, its parent company, which was outstanding at December 31, 2012 and 2011. The line of credit requires interest be paid in installments and matures in December 2015. This line of credit bears interest at a floating rate based on one-month LIBOR plus 105 basis points (0.87% at December 31, 2012).

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Company.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

- (1) The Company has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).
- (2) The Company has no preferred stock outstanding.
- (3) through (5) All stock is non-dividend bearing
- (6) There were no restrictions placed on the Company's surplus.
- (7) The total amount of advances to surplus not repaid – Not Applicable
- (8) This is Not Applicable to the Company.
- (9) This is Not Applicable to the Company.
- (10) The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is

NOTES TO FINANCIAL STATEMENTS

\$10,631,000.

- (11) The Company issued the following surplus notes:

A, B, C, D, E, F, G, H, I, J, K, L, M

1 Date Issued	2 Interest Rate	3 Par Value (Face Amount of Notes)	4 Carrying Value of Note	5 Principal And/Or Interest Paid Current Year	6 Total Principal And/Or Interest Paid	7 Unapproved Principal And/Or Interest	8 Date of Maturity
12/8/06	6%	\$6,000,000	\$6,000,000	\$0	\$1,080,000	\$360,000	None
12/8/06	6%	6,000,000	6,000,000	0	1,080,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	0	1,080,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	0	1,080,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	0	1,080,000	360,000	None
12/8/06	6%	3,839,572	39,572	0	4,339,128	2,374	None
1310999 Total		\$33,839,572	\$30,039,572	\$0	\$9,739,128	\$1,802,374	

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan's Office of Financial and Insurance Regulation.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

The liquidation preferences to the insurer's shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

N. This is Not Applicable to the Company.

- (12) This is Not Applicable to the Company.

- (13) This is Not Applicable to the Company.

14. Contingencies

- A. The Company has committed to its wholly owned subsidiaries, Priority Health Insurance Company, Inc. and Priority Health Government Programs, to provide additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B. Assessments are Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits are Not Applicable.
- E. All Other Contingencies are Not Applicable.

15. Leases**A. Lessee Operating Lease**

This note is Not Applicable to the Company.

B. Lessor Leases

NOTES TO FINANCIAL STATEMENTS

This note is Not Applicable to the Company.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Company.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Company.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company receives funds from the Center for Medicare & Medicaid Services (CMS) for its stand alone Medicare Advantage product (MAPD) that includes both an insured and uninsured payment mechanism. The uninsured payment includes reimbursements for a portion of claims above a catastrophic threshold and for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. The uninsured payment from CMS is received monthly based on a predetermined per member per month amount with an annual settlement occurring in the following year. There was no liability recorded at December 31, 2012 and 2011.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Company.

20. Fair Value Measurements

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (now codified under FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*). The hierarchy gives the highest ranking to fair values determined using unadjusted quoting prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The following table summarizes the valuation of the Company's financial instruments by the above pricing categories:

	Prices With Quoted Prices In Active Markets (Level 1)				Other Observable Inputs (Level 2)	Prices With Unobservable Inputs (Level 3)
	Total					
<i>(In Thousands)</i>						
December 31, 2012						
Common stock	\$ 53,165	\$ 53,165	\$ -	\$ -		
	\$ 53,165	\$ 53,165	\$ -	\$ -		
December 31, 2011						
Common stock	\$ 46,355	\$ 46,355	\$ -	\$ -		
	\$ 46,355	\$ 46,355	\$ -	\$ -		

NOTES TO FINANCIAL STATEMENTS

21. Other Items

The Company does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

There are no subsequent events to report for the Company.

23. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Written premiums for the Company's Medicare Advantage product are subject to retrospective adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Company also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.
- B. The Company records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Company at December 31, 2012, that are subject to retrospective rating features was \$615,136,000, that represent 31.7% of the total net premiums written for group health. No other net premiums written by the Company are subject to retrospective rating features.
- D. Not Applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were unfavorable by approximately \$2.3 million in 2012, increasing the prior year-end claim reserve estimates of \$141.4 million to \$143.7 million.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Company.

27. Structured Settlements

This note is Not Applicable to the Company.

28. Health Care Receivables

NOTES TO FINANCIAL STATEMENTS

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2012, 2011 and 2010 are as follows:

		Pharmacy rebates as Invoiced/Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2012	\$ 7,068,069	\$ -	\$ -	\$ - (2,369)	\$ -
9/30/2012	\$ 7,139,293	\$ -	\$ 4,195,093	\$ -	\$ -
6/30/2012	\$ 7,162,715	\$ -	\$ 4,385,368	\$ 761,544	\$ 170,865
3/31/2012	\$ 7,053,000	\$ -	\$ 4,379,801	\$ 819,425	\$ 61,050
12/31/2011	\$ 7,401,000	\$ -	\$ 4,704,579	\$ 888,218	\$ 26,108
9/30/2011	\$ 6,898,522	\$ -	\$ 3,064,925	\$ 607,169	\$ 19,387
6/30/2011	\$ 6,611,623	\$ -	\$ 4,659,107	\$ 719,682	\$ (237,064)
3/31/2011	\$ 5,902,280	\$ -	\$ 4,700,369	\$ 485,828	\$ (100,717)
12/31/2010	\$ 5,820,415	\$ -	\$ 3,937,730	\$ 572,387	\$ (79,970)
9/30/2010	\$ 5,587,082	\$ -	\$ 3,038,743	\$ 1,168,553	\$ (6,474)
6/30/2010	\$ 5,996,519	\$ -	\$ 3,586,964	\$ 509,155	\$ 14,992
3/31/2010	\$ 6,162,000	\$ -	\$ 3,455,731	\$ 597,880	\$ 112,366

B. This note is Not Applicable to the Company.

29. Participating Policies

This note is Not Applicable to the Company.

30. Premium Deficiency Reserves

The Company recorded no premium deficiency reserve in the 2012 and 2011 financial statements.

31. Anticipated Salvage and Subrogation

The Company does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES - GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State regulating? Michigan
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: 12/31/2009
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2009
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/29/2011
- 3.4 By what department or departments?
- State of Michigan Office of Financial and Insurance Regulation
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [] No [] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A [X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Co. Code | 3
State of Domicile |
|---------------------|--------------------|------------------------|
|---------------------|--------------------|------------------------|
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control %
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
|------------------|---------------------|
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
FDIC | 6
SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|---------------------|-----------------------------|----------|----------|-----------|----------|
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 171 Monroe Ave., Grand Rapids, MI 49503
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.6 If the answer to 10.5 is no or n/a, please explain.
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Ernst & Young LLP, Insurance & Actuarial Advisory Services, 5 Times Square, New York, NY 10036

GENERAL INTERROGATORIES

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No []

12.11 Name of real estate holding company

12.12 Number of parcels involved1

12.13 Total book/adjusted carrying value \$.....(1,000,000)

12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No []

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

Transitioned from a policy document to an inspirational guide for employees. Includes change to a stricter gift policy.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others

21.22 Borrowed from others

21.23 Leased from others

21.24 Other

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment

22.22 Amount paid as expenses

22.23 Other amounts paid

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....14,778,984

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [] No [X]

24.02 If no, give full and complete information relating thereto.

Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

Priority Health**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).
 N/A

- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]

 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.

 24.06 If answer to 24.04 is no, report amount of collateral for other programs.

 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] N/A [X]

 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]

 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] N/A [X]

 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

 24.103 Total payable for securities lending reported on the liability page.

 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)
 Yes [X] No []
 25.2 If yes, state the amount thereof at December 31 of the current year:
 25.21 Subject to repurchase agreements \$.....0
 25.22 Subject to reverse repurchase agreements \$.....0
 25.23 Subject to dollar repurchase agreements \$.....0
 25.24 Subject to reverse dollar repurchase agreements \$.....0
 25.25 Pledged as collateral \$.....0
 25.26 Placed under option agreements \$.....0
 25.27 Letter stock or securities restricted as to sale \$.....0
 25.28 On deposit with state or other regulatory body \$.....1,066,804
 25.29 Other \$.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes []
 If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

 27.2 If yes, state the amount thereof at December 31 of the current year: Yes []

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Fifth Third Bank	Grand Rapids, MI
Huntington National Bank	Grand Rapids, MI
Mellon Trust	Pittsburgh, PA

- 28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]
 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Prime Investments	Bloomfield, CT

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
233203 58 7	DFA EMERGING MKTS VALUE	5,759,153
693390 70 0	PIMCO FDS TOTAL RETURN - INST	10,255,460
921909 82 6	VANGUARD DEV MKTS INDEX FUND	11,207,637
922040 10 0	VANGUARD INSTL INDEX FUND	15,432,501
922908 44 7	VANGUARD MID CAP INDEX-SIGN	5,259,402
922908 87 6	VANGUARD SMALL CAP INDEX FUND	5,251,186
29,2999. TOTAL		53,165,339

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
DFA EMERGING MKTS VALUE	OAO GAZPROM ADR	230,942	12/31/2012
PIMCO FDS TOTAL RETURN - INST	FIN FUT EURO\$ CME 06/15/15	1,235,783	12/31/2012
VANGUARD DEV MKTS INDEX FUND	ROYAL DUTCH SHELL PLC	224,153	12/31/2012
VANGUARD INSTL INDEX FUND	APPLE INC.	601,868	12/31/2012
VANGUARD MID CAP INDEX-SIGN	CF INDUSTRIES HOLDINGS INC	27,349	12/31/2012
VANGUARD SMALL CAP INDEX FUND	NCR CORP	10,502	12/31/2012

PART 1 - COMMON INTERROGATORIES - INVESTMENT

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	342,668,576	352,830,889	10,162,313
30.2 Preferred stocks.....			0
30.3 Totals.....	342,668,576	352,830,889	10,162,313

- 30.4 Describe the sources or methods utilized in determining the fair values:
Pricing services and brokers

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.
-
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:
-

PART 1 - COMMON INTERROGATORIES - OTHER

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....299,692
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Alliance of Community Health Plans	202,766

- 34.1 Amount of payments for legal expenses, if any? \$.....160,068
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Thomas Mellema Law PC	51,734
Warner Norcross & Judd LLP	41,079

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....153,720
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Buchanan Ingersoll & Rooney PC	99,670
Warner Norcross & Judd LLP	54,050

GENERAL INTERROGATORIES**PART 2 - HEALTH INTERROGATORIES**

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [X] No []														
1.2	If yes, indicate premium earned on U.S. business only	\$.....8,557,447														
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....0														
1.31	Reason for excluding															
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....0														
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....7,195,495														
1.6	Individual policies: Most current three years: 1.61 Total premium earned 1.62 Total incurred claims 1.63 Number of covered lives	\$.....8,557,447 \$.....7,195,4955,553														
	All years prior to most current three years: 1.64 Total premium earned 1.65 Total incurred claims 1.66 Number of covered lives	\$.....0 \$.....00														
1.7	Group policies: Most current three years: 1.71 Total premium earned 1.72 Total incurred claims 1.73 Number of covered lives	\$.....0 \$.....00														
	All years prior to most current three years: 1.74 Total premium earned 1.75 Total incurred claims 1.76 Number of covered lives	\$.....0 \$.....00														
2.	Health test:	<table border="1" style="margin-left: auto; margin-right: auto;"><thead><tr><th style="text-align: center;">1 Current Year</th><th style="text-align: center;">2 Prior Year</th></tr></thead><tbody><tr><td>2.1 Premium Numerator.....1,936,545,978</td><td>.....1,857,714,692</td></tr><tr><td>2.2 Premium Denominator.....1,936,545,978</td><td>.....1,857,714,692</td></tr><tr><td>2.3 Premium Ratio (2.1/2.2).....100.0</td><td>.....100.0</td></tr><tr><td>2.4 Reserve Numerator.....173,964,420</td><td>.....172,648,726</td></tr><tr><td>2.5 Reserve Denominator.....173,964,420</td><td>.....172,648,726</td></tr><tr><td>2.6 Reserve Ratio (2.4/2.5).....100.0</td><td>.....100.0</td></tr></tbody></table>	1 Current Year	2 Prior Year	2.1 Premium Numerator.....1,936,545,9781,857,714,692	2.2 Premium Denominator.....1,936,545,9781,857,714,692	2.3 Premium Ratio (2.1/2.2).....100.0100.0	2.4 Reserve Numerator.....173,964,420172,648,726	2.5 Reserve Denominator.....173,964,420172,648,726	2.6 Reserve Ratio (2.4/2.5).....100.0100.0
1 Current Year	2 Prior Year															
2.1 Premium Numerator.....1,936,545,9781,857,714,692															
2.2 Premium Denominator.....1,936,545,9781,857,714,692															
2.3 Premium Ratio (2.1/2.2).....100.0100.0															
2.4 Reserve Numerator.....173,964,420172,648,726															
2.5 Reserve Denominator.....173,964,420172,648,726															
2.6 Reserve Ratio (2.4/2.5).....100.0100.0															
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?	Yes [] No [X]														
3.2	If yes, give particulars:															
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?	Yes [X] No []														
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?	Yes [] No [X]														
5.1	Does the reporting entity have stop-loss reinsurance?	Yes [X] No []														
5.2	If no, explain:															
5.3	Maximum retained risk (see instructions): 5.31 Comprehensive medical 5.32 Medical only 5.33 Medicare supplement 5.34 Dental and vision 5.35 Other limited benefit plan 5.36 Other	\$.....2,000,000 \$.....2,000,000 \$.....0 \$.....0 \$.....0 \$.....0														
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: <u>HMO holds harmless provisions of provider contracts, trust indentures.</u>															
7.1	Does the reporting entity set up its claim liability for provider services on a service date basis?	Yes [X] No []														
7.2	If no, give details:															
8.	Provide the following information regarding participating providers: 8.1 Number of providers at start of reporting year 8.2 Number of providers at end of reporting year13,55713,620														
9.1	Does the reporting entity have business subject to premium rate guarantees?	Yes [] No [X]														
9.2	If yes, direct premium earned: 9.21 Business with rate guarantees between 15-36 months 9.22 Business with rate guarantees over 36 months														
10.1	Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts?	Yes [X] No []														
10.2	If yes: 10.21 Maximum amount payable bonuses 10.22 Amount actually paid for year bonuses 10.23 Maximum amount payable withhold 10.24 Amount actually paid for year withhold	\$.....24,341,331 \$.....28,112,524 \$.....1,727,782 \$.....2,003,529														

GENERAL INTERROGATORIES**PART 2 - HEALTH INTERROGATORIES**

11.1. Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or

Yes [X] No []

11.14 A Mixed Model (combination of above)?

Yes [] No [X]

11.2. Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3. If yes, show the name of the state requiring such net worth. Michigan

\$.....161,040,584

11.4. If yes, show the amount required.

Yes [X] No []

11.5. Is this amount included as part of a contingency reserve in stockholder's equity?

11.6. If the amount is calculated, show the calculation:

200% ACL

GENERAL INTERROGATORIES**PART 2 - HEALTH INTERROGATORIES**

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Alcona
Allegan
Alpena
Antrim
Arrenac
Barry
Bay
Benzie
Berrien
Branch
Calhoun
Cass
Charlevoix
Cheboygan
Clare
Clinton
Crawford
Eaton
Emmet
Genesee
Gladwin
Grand Traverse
Gratiot
Hillsdale
Huron
Ingham
Ionia
Iosco
Isabella
Jackson
Kalamazoo
Kalkaska
Kent
Lake
Lapeer
Leelanau
Lenawee
Livingston
Mackinac
Macomb
Manistee
Mason
Mecosta
Midland
Missaukee
Monroe
Montcalm
Montmorency
Muskegon
Newaygo
Oakland
Oceana
Ogemaw
Osceola
Oscoda
Otsego
Ottawa
Presque Isle
Roscommon
Saginaw
St. Clair
St. Joseph
Sanilac
Shiawassee
Tuscola
Van Buren
Washtenaw
Wayne
Wexford

- 13.1. Do you act as a custodian for health savings account?
 13.2. If yes, please provide the amount of custodial funds held as of the reporting date.
 13.3. Do you act as an administrator for health savings accounts?
 13.4. If yes, please provide the balance of the funds administered as of the reporting date.

Yes [] No [X]

.....

Yes [] No [X]

.....

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	542,530,228	472,916,577	425,237,310	426,475,619	402,716,594
2. Total liabilities (Page 3, Line 24).....	235,315,651	245,113,705	221,117,404	191,569,323	181,595,131
3. Statutory surplus.....	161,040,584	160,807,292	148,201,540	113,531,651	98,758,074
4. Total capital and surplus (Page 3, Line 33).....	307,214,576	227,802,872	204,119,906	234,906,296	221,121,463
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	1,936,844,575	1,857,722,720	1,654,191,556	1,324,363,176	1,257,539,960
6. Total medical and hospital expenses (Line 18).....	1,719,197,050	1,688,656,978	1,534,430,448	1,203,496,546	1,137,500,253
7. Claims adjustment expenses (Line 20).....	58,458,603	44,893,086	43,679,933	40,289,583	18,306,305
8. Total administrative expenses (Line 21).....	111,948,431	101,157,043	99,978,445	83,704,937	103,735,730
9. Net underwriting gain (loss) (Line 24).....	47,240,491	23,015,613	(23,897,270)	(3,127,890)	(2,002,328)
10. Net investment gain (loss) (Line 27).....	9,458,856	7,162,717	13,708,263	18,039,943	14,002,506
11. Total other income (Lines 28 plus 29).....	3,971,497	3,002,363	3,026,820	2,909,532	1,056,129
12. Net income or (loss) (Line 32).....	60,670,844	33,180,693	(7,162,187)	17,821,585	13,056,307
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	67,632,059	38,376,478	15,295,702	7,792,615	25,176,253
Risk-Based Capital Analysis					
14. Total adjusted capital.....	307,214,576	227,802,872	204,119,906	234,906,296	221,121,463
15. Authorized control level risk-based capital.....	80,520,292	80,403,646	74,100,770	56,765,826	49,384,434
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	398,123	423,989	432,079	380,816	359,715
17. Total member months (Column 6, Line 7).....	4,858,476	5,164,558	5,055,349	4,408,636	4,301,204
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)....	88.8	90.9	92.8	90.9	90.5
20. Cost containment expenses.....	1.3	1.0	1.2	0.5	0.1
21. Other claims adjustment expenses.....	1.7	1.4	1.5	2.5	1.3
22. Total underwriting deductions (Line 23).....	97.6	98.8	101.5	100.3	100.2
23. Total underwriting gain (loss) (Line 24).....	2.4	1.2	(1.4)	(0.2)	(0.2)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	162,383,315	145,004,284	121,653,990	113,703,698	113,208,202
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	161,336,453	148,004,403	115,688,194	126,506,033	113,227,153
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	60,596,334	55,389,992	46,388,714	32,822,113	28,908,394
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	60,596,334	55,389,992	46,388,714	32,822,113	28,908,394
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes No

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama.....	AL ..N.							..0	
2. Alaska.....	AK ..N.							..0	
3. Arizona.....	AZ ..N.							..0	
4. Arkansas.....	AR ..N.							..0	
5. California.....	CA ..N.							..0	
6. Colorado.....	CO ..N.							..0	
7. Connecticut.....	CT ..N.							..0	
8. Delaware.....	DE ..N.							..0	
9. District of Columbia.....	DC ..N.							..0	
10. Florida.....	FL ..N.							..0	
11. Georgia.....	GA ..N.							..0	
12. Hawaii.....	HI ..N.							..0	
13. Idaho.....	ID ..N.							..0	
14. Illinois.....	IL ..N.							..0	
15. Indiana.....	IN ..N.							..0	
16. Iowa.....	IA ..N.							..0	
17. Kansas.....	KS ..N.							..0	
18. Kentucky.....	KY ..N.							..0	
19. Louisiana.....	LA ..N.							..0	
20. Maine.....	ME ..N.							..0	
21. Maryland.....	MD ..N.							..0	
22. Massachusetts.....	MA ..N.							..0	
23. Michigan.....	MI ..L.	1,323,353,509	.614,582,924					1,937,936,433	
24. Minnesota.....	MN ..N.							..0	
25. Mississippi.....	MS ..N.							..0	
26. Missouri.....	MO ..N.							..0	
27. Montana.....	MT ..N.							..0	
28. Nebraska.....	NE ..N.							..0	
29. Nevada.....	NV ..N.							..0	
30. New Hampshire.....	NH ..N.							..0	
31. New Jersey.....	NJ ..N.							..0	
32. New Mexico.....	NM ..N.							..0	
33. New York.....	NY ..N.							..0	
34. North Carolina.....	NC ..N.							..0	
35. North Dakota.....	ND ..N.							..0	
36. Ohio.....	OH ..N.							..0	
37. Oklahoma.....	OK ..N.							..0	
38. Oregon.....	OR ..N.							..0	
39. Pennsylvania.....	PA ..N.							..0	
40. Rhode Island.....	RI ..N.							..0	
41. South Carolina.....	SC ..N.							..0	
42. South Dakota.....	SD ..N.							..0	
43. Tennessee.....	TN ..N.							..0	
44. Texas.....	TX ..N.							..0	
45. Utah.....	UT ..N.							..0	
46. Vermont.....	VT ..N.							..0	
47. Virginia.....	VA ..N.							..0	
48. Washington.....	WA ..N.							..0	
49. West Virginia.....	WV ..N.							..0	
50. Wisconsin.....	WI ..N.							..0	
51. Wyoming.....	WY ..N.							..0	
52. American Samoa.....	AS ..N.							..0	
53. Guam.....	GU ..N.							..0	
54. Puerto Rico.....	PR ..N.							..0	
55. U.S. Virgin Islands.....	VI ..N.							..0	
56. Northern Mariana Islands.....	MP ..N.							..0	
57. Canada.....	CAN ..N.							..0	
58. Aggregate Other alien.....	OT ..XXX	0	0	0	0	0	0	0	0
59. Subtotal.....	XXX	1,323,353,509	.614,582,924	0	0	0	0	1,937,936,433	0
60. Reporting entity contributions for Employee Benefit Plans.....	XXX							0	
61. Total (Direct Business).....	(a) ..1	1,323,353,509	.614,582,924	0	0	0	0	1,937,936,433	0

DETAILS OF WRITE-INS

58001.....								..0	
58002.....								..0	
58003.....								..0	
58998. Summary of remaining write-ins for line 58.....	0	0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998).....	0	0	0	0	0	0	0	0	0

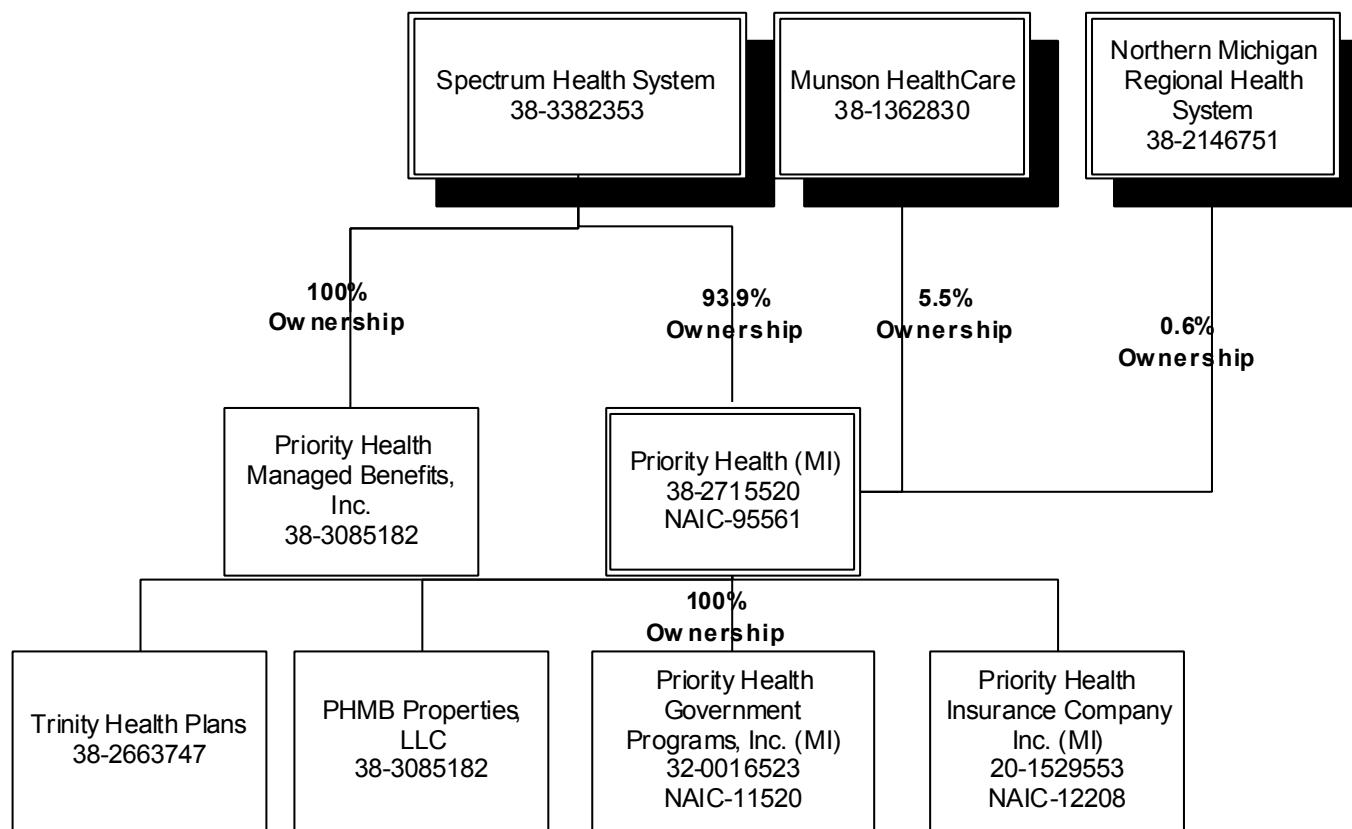
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



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